

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of

Telephone Number Portability

CC Docket No. 95-116

RESPONSE OF VERIZON

The industry has now implemented CMRS number portability. This task required Verizon¹ and other carriers to incur expenses to expand the capacity of its number portability systems, to modify existing operation support systems and to support the shared industry number portability infrastructure. Consistent with the framework the Commission established in 1998, it is now an appropriate time for the Commission to permit Verizon to recover the costs it necessarily incurred in connection with the provision of CMRS number portability.

BellSouth has asked for permission to revise its tariffs to allow it and other wireline carriers to recover the costs they necessarily incurred in connection with the provision of CMRS number portability.² Its petition describes in detail the history of CMRS portability requirements and the Commission's number portability cost recovery system for wireline carriers. Verizon has costs similar to those described by BellSouth, supports BellSouth's petition and seeks authority to recover its CMRS number portability costs as well.

The least disruptive and confusing way for Verizon to recover these costs would be for it to extend its existing number portability surcharges for an additional four months, although the

¹ The Verizon telephone companies are the local exchange carriers affiliated with Verizon Communications Inc., listed in Attachment A.

² BellSouth Corporation Petition for Declaratory Ruling and/or Waiver, CC Docket No. 95-116 (filed Nov. 14, 2003).

other ways proposed by BellSouth would be acceptable alternatives. After nearly five years, customers are accustomed to seeing these charges on their bills. New charges or charges in different amounts would only raise questions in their minds, confuse them and prompt them to call the carrier or the Commission. Verizon, therefore, urges the Commission to act promptly on BellSouth's petition, to allow carriers this recovery option.

The Commission Should Allow This Cost Recovery Now.

The costs of CMRS number portability are surely costs of establishing number portability under section 251(e)(2) of the Act and within the system the Commission established in 1998 for recovering number portability costs. And now is the appropriate time for the Commission to allow ILECs to recover these costs under that system.

In 1998, the Commission established the "competitively neutral" system for carriers to share the costs of number portability, as required by section 251(e)(2) of the Act. This system includes giving ILECs the ability "to recover their carrier-specific costs directly related to providing long-term number portability through a federally tariffed, monthly number-portability charge that will apply to end users."³

The costs of LEC-CMRS portability are part of the cost-recovery system the Commission established in 1998. The Commission ordered LEC-CMRS number portability in 1996,⁴ and it has never suggested that the costs of providing that capability are any different from the carrier-specific costs of number portability that are recoverable under the Act and section 52.33 of the

³ *Telephone Number Portability*, 13 FCC Rcd 11701, ¶ 9 (1998) ("Cost Recovery Order").

⁴ *Telephone Number Portability*, 11 FCC Rcd 8352, ¶¶ 8, 172 (1996).

Commission's rules. Nor has it suggested that an ILEC's share of the increased cost that CMRS portability imposes on the shared industry systems is not a recoverable cost.

In early 1999, when Verizon⁵ and other ILECs filed tariff changes to recover the costs of landline number portability, those companies had already been deploying that capability for two years. At that point, Verizon knew well what it had spent to implement number portability and had a good idea of what its additional expenditures would be.

At that time, however, Verizon had little idea what it would have to spend to implement CMRS number portability or when those costs would be incurred. When Verizon filed its tariff revisions in 1999, CMRS portability was scheduled for March 2000.⁶ At that time, the North American Numbering Council had asked the Commission to resolve several LEC-CMRS implementation issues,⁷ which could have changed what Verizon had to do — and what it had to spend — to engage in porting numbers with CMRS providers. These uncertainties led Verizon not to try to project the costs of LEC-CMRS number portability. If Verizon had included in its 1999 tariff filing projected costs based upon what it then understood about CMRS number portability, those projections would have been dead wrong; for example, they would have had Verizon incurring almost all these costs more three years before it actually did so.

The Commission seemed to agree that it was premature for ILECs to begin to recover the costs of CMRS number portability in 1999. When one ILEC attempted to do so, it was criticized

⁵ 1999 was before the merger of Bell Atlantic and GTE which created Verizon, and it was GTE and the Bell Atlantic telephone companies that filed tariff revisions at that time. For simplicity, we will refer to “Verizon” throughout.

⁶ *Telephone Number Portability*, 13 FCC Rcd 16315 (1998).

⁷ See North American Numbering Council, Local Number Portability Administration Working Group Report on Wireless Wireline Integration (May 8, 1998).

for seeking recovery of costs based on its assumption (which ultimately proved to be incorrect) about how the Commission was going to rule on one of the issues that the NANC had put before it, the porting interval question.⁸ In response to this criticism, the Commission found that this aspect of the ILEC's transmittal raised substantial questions of lawfulness that warranted an investigation.⁹ When the ILEC removed the costs of preparing for CMRS number portability, the Commission accepted the revision.¹⁰

When it established its number portability cost recovery rules in 1998, the Commission said, "We do not anticipate that [a carrier] may raise the charge during the five-year period unless it can show that the end-user charge was not reasonable based on the information available at the time it was initially set."¹¹ Verizon's request meets this standard, as Verizon did not have information in early 1999 on which it could reasonably have sought recovery of its CMRS portability costs. Allowing cost recovery now does not require the Commission to change or waive its rules; it is simply carrying out the process the Commission established for cost recovery in 1998.

**Verizon's Costs Are All Carrier-Specific Costs
Directly Related To Providing Number Portability.**

The Commission limited the costs eligible for recovery through its cost-recovery mechanism to "costs carriers incur specifically in the provision of number portability services,

⁸ [AT&T] Petition To Reject or Suspend Tariff at 6, *Long-Term Telephone Number Portability Tariff Filings of Sprint Local Telephone Companies*, CC Docket No. 99-35 (filed Jan. 21, 1999).

⁹ *Long-Term Telephone Number Portability Tariff Filings of Sprint Local Telephone Companies*, 14 FCC Rcd 2778, ¶ 5 (1999).

¹⁰ *Long-Term Telephone Number Portability Tariff Filings of Sprint Local Telephone Companies*, 14 FCC Rcd 3828, ¶ 3 (1999).

¹¹ *Cost Recovery Order* ¶ 144.

such as for the querying of calls and the porting of telephone numbers from one carrier to another.”¹² “[E]ligible LNP costs’ for the purposes of these federal LNP charges” are limited to “the carrier-specific costs directly related to providing long-term number portability.”¹³ Not included in these costs are carriers’ “costs incurred in modernizing their networks to keep pace with technological and market developments and to maintain high standards of service quality”¹⁴ or “to accommodate their telephone operations to the presence of other carriers.”¹⁵ To implement this distinction, the Commission established a “two-part test for identification of the carrier-specific costs that are directly related to the implementation and provision of telephone number portability, that is, eligible LNP costs.”¹⁶

“Under this test, to demonstrate that costs are eligible for recovery through the federal charges recovery mechanism, a carrier must show that these costs: (1) would not have been incurred by the carrier ‘but for’ the implementation of number portability; *and* (2) were incurred ‘for the provision of’ number portability service.”¹⁷

While a carrier may recover the costs incurred in “the querying of calls and the porting of telephone numbers from one carrier to another,” it may not recover “costs incurred as an incidental consequence of number portability.”¹⁸ The costs Verizon seeks to recover now are all analogous to costs the Commission permitted Verizon to recover through the surcharge added in 1999 and meet this test.

¹² *Cost Recovery Order* ¶ 72.

¹³ *Telephone Number Portability Cost Classification Proceeding*, 13 FCC Rcd 24495, ¶ 6 (1998) (“*Cost Categorization Order*”).

¹⁴ *Cost Categorization Order* ¶ 6.

¹⁵ *Cost Categorization Order* ¶ 7.

¹⁶ *Cost Categorization Order* ¶ 10.

¹⁷ *Cost Categorization Order* ¶ 10.

¹⁸ *Cost Categorization Order* ¶ 10.

First, Verizon was required to increase the capacity of certain systems to accommodate CMRS number portability, at a cost of more than \$7.5 million. Verizon has six pairs of service control points (databases) that store number portability information. Verizon's network switches send queries to these databases to determine how to route and deliver calls. Verizon recovered the cost of establishing these databases in its original tariff filings in 1999. CMRS portability significantly increases the volume of telephone numbers that must be stored in these databases, and Verizon has had to add capacity to these systems to accommodate this increase.

Similarly, Verizon has two systems that send porting information to and receive porting information from the Number Portability Administration Center. Verizon recovered the cost of establishing these systems in its original tariff filings in 1999. CMRS number portability required Verizon to augment the interfaces between these systems and the NPAC to allow them to process more transactions.

Second, Verizon spent roughly \$1.1 million in 2003 to modify almost 20 operation support systems in order to provide CMRS number portability. All were systems (or successors to systems) which Verizon modified to provide landline number portability, the costs of which the Commission permitted Verizon to recover through its number portability surcharge tariff. These costs were incurred solely to enable CMRS number portability and, therefore, each expenditure satisfies the test of being an "incremental cost incurred *for the provision of portability*, [which] is an eligible long-term number portability cost."¹⁹

Third, Verizon spent approximately \$2.2 million to project manage and implement CMRS portability. Verizon recovered similar costs through its 1999 tariff filings.

¹⁹

Cost Categorization Order ¶ 23.

Fourth, in 1998, the Commission “require[d] telecommunications carriers to pay for the database administrators’ nonrecurring, recurring, upload, and download costs pursuant to an allocator” rather than on a usage-sensitive basis.²⁰ “Once these shared costs are distributed to telecommunications carriers, we treat each carrier’s portion of the costs as a carrier-specific cost directly related to providing number portability”²¹ and, therefore, recoverable through the number portability surcharge mechanism. Verizon recovered such costs related to the introduction of LEC number portability through its original surcharge filing in 1999.

The NPAC Forecasting Group, an industry forum which includes wireline carriers, CMRS providers and the NPAC owner, has developed several iterations of forecasts of the effect that CMRS portability will have on the shared industry systems, including the increased number of transactions. These data are used by industry members to size their internal system requirements as well as by the NPAC to assure its systems have sufficient capacity to meet the increased demand. These forecasts show that shared industry costs will increase substantially, and Verizon’s share of these increased costs, according to the Commission’s allocation formula, is roughly \$64 million over the next five years (the present worth of which is \$47.5 million). As database administration costs for the introduction of LEC portability were recoverable before, so should these costs for the introduction of CMRS portability be recoverable now. If the Commission had required CMRS portability at the same time as LEC portability, these costs would have been included in and recovered through the original tariff filing.


²⁰ *Cost Recovery Order* ¶ 87.

²¹ *Cost Recovery Order* ¶ 87.

Conclusion

The Commission should grant the declaratory ruling requested by BellSouth that carriers may recover the costs they necessarily incurred in connection with the provision of CMRS number portability.

Respectfully submitted,


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THE VERIZON TELEPHONE COMPANIES

The Verizon telephone companies are the local exchange carriers affiliated with Verizon Communications Inc. These are:

Contel of the South, Inc. d/b/a Verizon Mid-States
GTE Midwest Incorporated d/b/a Verizon Midwest
GTE Southwest Incorporated d/b/a Verizon Southwest
The Micronesian Telecommunications Corporation
Verizon California Inc.
Verizon Delaware Inc.
Verizon Florida Inc.
Verizon Hawaii Inc.
Verizon Maryland Inc.
Verizon New England Inc.
Verizon New Jersey Inc.
Verizon New York Inc.
Verizon North Inc.
Verizon Northwest Inc.
Verizon Pennsylvania Inc.
Verizon South Inc.
Verizon Virginia Inc.
Verizon Washington, DC Inc.
Verizon West Coast Inc.
Verizon West Virginia Inc.